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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUN 8 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
  2. Comments represent the preliminary views of the Office of Current Intelligence.
  3. Marginal letter indications are defined as follows:
    - "A" - items indicating Soviet-Communist intentions or capabilities.
    - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
    - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"C" USSR. Malik to Broadcast 23 June. According to the USUN delegation, Soviet delegate Malik departed from his usual practice and accepted a long-standing invitation to appear on the UN Radio Program "Price of Peace." Malik was invited to appear on the 16 June program, but at his request, it was changed to the 23 June broadcast. USUN comments that Malik's 23 June appearance on the program, which receives world-wide dissemination, could be designed to offset the forthcoming 25 June anniversary celebration of UN collective action against aggression, and adds that the broadcast might also be related to confidential reports that Malik is to return to Moscow 29 June. (S NY 1610, 6 Jun 51).

"A" 25X1C Top Soviet Personnel in US Reported Being Recalled. [ ] reports that the USSR is going to recall all of its top level personnel in the US by approximately the end of June, 1951, replacing them with lower level officials. Soviet UN delegate Malik and UN Secretariat member Peutin are among those scheduled for recall. (S [ ])

25X1A [ ] COMMENT: Soviet Ambassador Panyushkin announced he was sailing 8 June for a month's vacation in the USSR. Panyushkin made a similar trip to the USSR in June 1950. Since neither Malik or Peutin has been in the USSR since 1949, it is possible that their reported return is simply routine. Peutin is not known to be a high level official. If Malik's "recall", which has been previously rumored, is for the purpose of replacement, the importance of the new head of the Soviet delegation may give some indication of the USSR's future attitude toward UN activities.

"B" EASTERN EUROPE. POLAND. Ships Being Built for USSR and Albania. Reports have been received from two sources that the Gdansk-Gdynia shipyards in Poland are building a series of cargo vessels of about 500 tons designated as the BUG class. Two are reported to have already been launched and assigned to the Polish merchant marine, while another four are under construction for Albania. At the same time eight to twelve coal and ore carrying vessels are being built for the USSR in these yards under the supervision of Soviet technicians. (S [ ])

25X1A [ ] COMMENT: These small cargo vessels will be capable of carrying on coastal and European shipping for the Soviet orbit. As a result, some of the larger Polish merchant marine vessels, which are at present engaged in such traffic, could be used for voyages to the Near, and Far East.

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"A" Communist Chartered Vessels Carrying Strategic Goods to China.

[redacted] a recent trend whereby ships under Communist charter, bound for China from Europe with strategic cargoes, are declaring Port Said as a destination. From Port Said the vessels declare for Aden, Colombo, Singapore and Hong Kong, and then proceed to North China. [redacted] these are precautionary steps taken in anticipation of a possible UN blockade of the China coast. The

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[redacted] should such a blockade eventuate these vessels could unload in Indian ports for transshipment via a total of nine Soviet and Satellite vessels presently in Indian waters delivering grain. [redacted] the opinion that the USSR believes that its ships would not be stopped or molested by a naval blockade of China.

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(S CINCNEIM, 061607Z, 7 Jun 51). COMMENT: Numerous reliable reports are available indicating that the cargoes of merchant vessels owned or chartered by Soviet orbit countries bound for Communist China from Europe have contained strategic goods. The volume of Satellite-owned or chartered vessels engaged in traffic with Communist China has been gradually increasing during recent months.

"A" YUGOSLAVIA. Kardelj Announces Popovic Visit to US. The Yugoslav Government has publicly announced that Yugoslav Chief of Staff Koca Popovic is currently in the US for talks with US representatives regarding the possibility of acquiring armaments for the Yugoslav Army. Kardelj explained that the Yugoslav Government was seeking arms from the West solely to ensure Yugoslav independence and to contribute to the consolidation of peace in the Balkans. He stated that this step had been necessitated by the rearmament of Yugoslavia's Cominform neighbors in violation of their peace treaties. (R FBIS, 8 Jun 51). COMMENT: Popovic is the first high ranking Yugoslav official to visit the US since the war, with the exception of Kardelj who has visited the US as the Yugoslav representative to the UN. The Popovic visit is evidence of the increased Yugoslav interest during recent months in obtaining arms from the West. The Yugoslav announcement of Popovic's visit was probably made to demonstrate to the Yugoslav people, as well as the USSR, the close working relationship between Yugoslavia and the US.

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Belgrade Expels Bulgarian Charge. According to Borba, official organ of the Yugoslav Communist Party, the Bulgarian Military Attache in Belgrade has been asked to leave Yugoslavia because of his provocative and hostile work. Borba claims that this is the reason that the Yugoslav Military Attache in Sofia was accused of organizing subversive activities in a recent Sofia trial of alleged Yugoslav agents. (R FBIS, 7 Jun 51). COMMENT: On 6 June the Bulgarians expelled the Yugoslav Military Attache (O/CI Daily Digest, 7 Jun 51).

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Embassy Belgrade Views on Yugoslav Sponsorship of Albanian Exiles. Embassy Belgrade regards Yugoslav sponsorship of an Albanian refugee organization as a counteraction to the activities inside Albania of Western-sponsored Albanian exiles rather than an attempt to upset the Hoxha regime. The Embassy does not believe that Yugoslavia is likely to precipitate any action that might give the Soviet Union an excuse for aggression under a guise of defending Albania. Since the Yugoslav Government hopes eventually to see a friendly national Communist government established in Albania, the Tito regime is undoubtedly supporting dissident Albanians in Yugoslavia willing to work toward this end. In the event of a genuine revolution in Albania, the Embassy is of the opinion that the group favoring national communism would receive covert Yugoslav assistance as a counterforce to reactionary elements supported by the West. (S Belgrade 1831, 6 Jun 51). COMMENT: The publicity which the Yugoslav press has given the founding of an Albanian exile committee in Yugoslavia in May (O/CI Daily Digest, 26 May and 1 June 51) suggests that its immediate purpose is to challenge western leadership of Albanian resistance groups.   25X1 information regarding the program of the Albanian refugees in Yugoslavia (O/CI Daily Digest, 5 May 51) also indicates that its immediate task is to collect intelligence on Albania while preparing the groundwork for the eventual overthrow of the Hoxha regime. Because of the Yugoslav Government's precarious position, as well as its unpreparedness to upset the Hoxha regime, Tito probably has no immediate intention to use its Albanian refugee organizations for overt action against Albania.

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SECTION 2 (EASTERN)

"A" BURMA. Chinese Communist Assistance to Burmese Communists Reported Underway. According to the Chinese Nationalist Defense Ministry, the Chinese Communists are now furnishing supplies to the Burmese Communists, with Chu Chia-pi, chief of the Yunnan Province Public Security Department in charge of the operation. In mid-May, 20 truck loads of ammunition are said to have been sent into Burma via Mangshih, Yunnan, a point from which additional supplies continue to move. (S Taipei 1676, 6 June 1951). COMMENT: Chinese Communist assistance to the Burmese Communists has been anticipated and this report maintains the continuity of intelligence on the subject. Chinese Communist agreement to provide aid is fairly well established; Chu Chia-pi's appointment to supervise the program and to direct guerrilla operations in Burma has been reported by other sources as has the stockpiling of military supplies in the Mangshih-Paoshan area.

"C" Taipei of Opinion That Few KMT Troops Have Crossed from Burma into Yunnan. The Chinese Nationalist Foreign Minister, asserting that his information on Chinese Nationalist troops in Burma was fragmentary, reported that of something over 5,000 KMT troops in that area, perhaps two-thirds obeyed the Nationalist General Li Mi, and that, in his opinion, comparatively few have entered Yunnan. A small unit which recently did so was ambushed with serious losses, he reported, the Chinese Communists apparently having been informed of the movement. (S Taipei 1681, 7 June 51). COMMENT: Other and probably more reliable reports state that substantial numbers of these KMT troops are now in Yunnan.

"B" INDONESIA. Report of Chinese Offer of Large Amount of Rice to Indonesia Probably False. Ambassador Cochran in checking on a report that negotiations are continuing between Indonesia and Communist China (see OCI Daily Digest, 31 May 51, page 5) for the sale to Indonesia of some 500,000 tons of rice on a credit basis found that the report derived from an apparently anti-American source. Java Bank officials reported no knowledge of any such negotiations. General indications are that the report is false. (C Djakarta 1702, 6 June 51). COMMENT: Although it is known that there were earlier preliminary Chinese efforts to obtain Indonesian rubber on a cash basis and it has been reported that the Chinese have offered rice and tungsten in payment, this particular report appears false if only by reason of the excessively large tonnage cited. Indonesia has not yet made a decision on its position with respect to including rubber among the items to be embargoed under the recent UN resolution against Communist China.

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"B" CHINA Ouster of K.C. Wu Is Not Imminent. Governor K. C. Wu of Taiwan, in a conversation on 4 June with an American Embassy officer, stated he had submitted his resignation to the Generalissimo in March because of his inability to control the Peace Preservation Headquarters Police, who were interfering in two Taiwan elections. The Generalissimo supported Wu's censure of the police, and Wu gave the impression that for the present he had passed through the ouster crisis. A recent crisis, however, resulted from the policy and personality differences between Premier Chen Cheng and Wu, who remains in a difficult position because of the Premier's control of the Peace Preservation Headquarters Police. (C Taipei 1685, 7 June 51). COMMENT: American-educated K.C. Wu has never been popular with Premier Chen Cheng, who advocates a more conservative internal program for Taiwan. Although Wu has tendered his resignation at least on three occasions, he will probably be retained in some official position, because of his excellent reputation with Americans.

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Vessels Sailing for Communist China Declare False Destination. [redacted] vessels leaving Europe with cargoes for Communist China are not declaring for Chinese ports. The practice is for vessels leaving European ports to declare for Port Said. From there they declare for Aden, Colombo, Singapore, and Hong Kong in sequence; then proceed to China. The example is cited of the British vessel GREYSTOKE CASTLE, which cleared Suez on 5 June declaring for Aden. The vessel originally left Poland with a cargo of 7,000 tons of iron and steel, including steel rails, and is rumored to be carrying ammunition as well. (S CINCNELM 061607Z, 7 June 51). COMMENT: The action by masters in declaring for other than Chinese ports may be another of the precautions being taken to avoid interception by the Chinese Nationalist Navy. The recent Nationalist interception of the German vessel MAI RICKMERS has impressed shipowners of the danger to ocean vessels which are known to be headed for Communist China. Another of the precautions now being taken by masters of ocean-going vessels to avoid interception is to discharge their cargoes onto junks in South China rather than sail up the coast to North China.

"A"

Preparations for Long Korean, and Eventual, World War. According to Chinese Nationalist reports, the Chinese Communists have embarked on a large-scale mobilization program in accordance with a secret agreement reached in March 1951 with the USSR. Under this agreement an army of 10-20 million men is to be provided by Red China and equipped by Russia for use in the next world war. Reporting on the implementation of this program in Kwangtung, the Nationalist Defense Ministry claims that 500,000 were being recruited from the 16 to 48 year old males, none of whom were allowed to leave the province. (U Taipei, AP, 7 June 51).

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COMMENT: Indications of large-scale mobilization on China's mainland have long been observed and are considered symptomatic not only of Russian desires, expressed in "secret" agreements or overt understandings, but of a Chinese Communist organizational program for both internal and external security. The ability of the Chinese to raise these millions of troops is generally recognized but the Russian capacity adequately to equip them has still to be established.

"C"

Manchurian Railways to Carry More Freight in 1951. A Peiping broadcast of 5 June reported that Manchurian railways are to carry 13% more freight in 1951 than in 1950. This increase is made possible by greater efficiency of workers, adoption of Soviet methods, and use of modern railway equipment, the broadcast claims. (U FBIS, AAA-8, 6 June 51).

COMMENT: The Communists are increasing Manchuria's transport capabilities at the expense of the rest of China, a situation which reflects the effect of the Korean war. Previously reported Communist statistics indicate that little increase in freight hauled by Chinese railways outside of Manchuria is planned this year.

"B"

Airfields Reported Closed for Repairs. Five CCAF airfields were closed for repairs between 21-26 May, according to a Chinese Nationalist source. Three of these fields - Kungchuling, Ssupingchieh, and Mukden - are located in Manchuria. The other two are at Tsingtao and Hankow in China Proper. White Cloud field at Canton is reportedly being expanded (C [redacted]).

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[redacted]. COMMENT: There have been recent reports of a Communist program to strengthen and expand runways throughout China. Few Chinese fields, and none of the ones cited in this report, are as yet known to be able to handle aircraft the size of a B-29.

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Recently-trained Chinese Communist Pilots Reportedly Proficient. A Far East Air Force report evaluated B-6 states that 2,000 Chinese Communist pilots, trained under Soviet and German tutelage, were to have been graduated 25 May, and that they would compare favorably with pilots of other countries. FEAF commented that any such increase in numbers and skill of CCAF pilots would increase Communist capability to employ its air strength in Korea. (S FEAF, AX 8293, 3 June 51). COMMENT: Another recent report has alleged that large numbers of CCAF personnel who received a year of training in the USSR returned to China recently. On the other hand, the Nationalist MND has claimed that USSR-trained pilots are being returned with insufficient training because of the urgent need for them in Manchuria. None of these reports have been confirmed.

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"B" KOREA. Growing Evidence that Chinese Communist Fourth Field Army Units are no Longer in Korea. The Intelligence Staff of the US Far East Command accepts the withdrawal of the Chinese Communist 50th Army from Korea to an unlocated destination in China or Manchuria. FECOM comments, further, that a heavy volume of reports has been received indicating that the Chinese Communist 38th, 39th, 40th and 42nd Armies have also been withdrawn. No contact, other than isolated deserter prisoners, have been made with any of these units since before the Communist mid-April offensive. (S, DA-CINCPAC Telecon 4800, 8 June 51). COMMENT: These 5 crack Chinese Communist Fourth Field Army units were the first Chinese troops to enter Korea, along with the since-withdrawn 66th Army from the North China Military Area command. Having borne the almost continuous brunt of the earlier campaign, their strength and effectiveness is believed to be greatly reduced.

"C" ROK Government Recruiting Civil Administration for North Korea. The French Press Association reports that the ROK Government, as of 8 June, was selecting administrative personnel for assignments north of the 38th Parallel as that area may be freed by the advance of the UN Forces. A total of 1200 administrators and 30,000 new policemen are sought for the six provinces north of the Parallel. (R FBIS Advance Ticker, 8 June 51). COMMENT: The ROK Government may be expected persistently to claim its right and intention of uniting and administering the two Koreas. A further report indicates that the South Korean Government is organizing for the operation of the North Korean Railways.

"C" JAPAN. Reestablishment of Zaibatsu Combines Being Planned. The Tokyo Shimbun reports that former Zaibatsu firms (large family trusts), foreseeing an early depurge and peace treaty, have begun making plans for reconcentrating their former affiliates. The Mitsubishi and Mitsui combines are reportedly planning to merge more than 300 postwar offshoots into three and five companies respectively. The paper states that the trend started with the depurge of Zaibatsu executives last year, and has grown more pronounced with a further depurge in the offing. (S SCAP Press Analysis, 29 May 51). COMMENT: Modification of the Economic Deconcentration Law and the Trade Association Law reportedly is high on the list of Occupation-sponsored legislation which is now being reviewed for possible revision by the "Ordinances Review Committee." According to Japanese industrialists, the break-up of the combines was too severe, resulting in financial weakness, shoddy merchandise, and wasteful competition. Actually, the wartime executives appear to have continued to exert considerable influence from behind the scenes over the postwar splinter firms.

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SECTION 3 (WESTERN)

"A" AUSTRIA. US Moves to Expel Soviet Repatriation Missions. US Forces in Austria will take the necessary measures to ensure the departure from the US zone of the Soviet repatriation mission by 8 June. US High Commissioner Donnelly has insisted that the mission be withdrawn by this date, after the Soviet Commander, General Sviridov, had previously rejected his request to withdraw. Sviridov contends that the right of his mission to remain in the zone is determined "not by an order of the US authorities in Austria, but by the agreement of the two governments made on 11 February 1945" (Yalta protocol). Donnelly has replied to Sviridov that the Yalta agreement has long since been fulfilled and is unrelated to existing conditions, and that there is no longer any necessity for the repatriation missions. (S Vienna 2956, 6 June 51) COMMENT: The Soviets evidently attach considerable importance to these missions which are used mainly for propaganda and espionage purposes.

"A" FRANCE. Further Decline Seen in Strength of Extremist Parties. It now appears exceedingly unlikely that the combined Gaullist and Communist seats in the next Assembly can approach the 314 halfway mark. Although the Communist Party (PCF) may still be the strongest in the number of votes received, the Ministry of the Interior estimates that PCF representation will be cut to slightly over 100 seats (180 at present). The Gaullists themselves have now reduced their confidential estimate of the strength of their Rally of the French People (RPF) from 160 to 140 (now less than 50). The major unknown factor is whether the slogan calling for electors to "vote usefully", i.e. for the Centrist parties allied for the elections, will be heeded by those independent Rightists who fear the leftist elements within the electoral alliances. (C Paris 7549, 6 June 51). COMMENT: This is the most encouraging estimate Embassy Paris has made to date on the 17 June elections. If PCF representation can be so sharply curtailed, another middle-of-the-road coalition government will be possible despite Gaullist gains. The orientation of such a government will be more to the Right than at present, however, and its stability will be questionable.

"C" DENMARK. National Morale Seen as Markedly Improved. The US Embassy at Copenhagen estimates that Danish national morale has risen considerably since January when the Danes feared that the Korean conflict might extend to Europe. Due in some part to the recent visits of Montgomery and Eisenhower, the Danes now seem to feel that the West will become sufficiently strong in the ensuing years to prevent or to resist successfully Soviet aggression against Western Europe. The Embassy cites as indications of improved morale such things as the rise in the number of volunteers for the Home Guard and for officer training and also the increased publicity regarding NATO. Although the public still shows some reluctance to sacrifice its standard of living for defense, there is a general intellectual recog-

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dition, reiterated constantly by political and press leaders, that the benefits of NATO cannot be obtained without Denmark's assuming the obligations and burdens resulting therefrom. (C Copenhagen 1051, 6 June 51) COMMENT: Because Denmark's scant resources and exposed strategic position have made any Danish defense effort seem futile, latent pacifist and neutral sentiments have persisted. As the military prospects of preventing an occupation of Denmark become more real, the spirit to resist increases.

"C" UNITED KINGDOM. British Reported Reinforcing Iraqi Air Bases against Worsening of Iranian Situation. [ ] reported on 29 May that one RAF bomber squadron from Aden has arrived at Shaiba airfield near Basra, Iraq, and that about one hundred planes have arrived at Habbaniya field, Iraq, including two fighter squadrons from Malta and another bomber squadron and transport planes from Suez. These planes are to be on hand in event of UK armed intervention in Iran. It is also reported that Bahrein may be used as an RAF operational base, and Shaiba is being prepared for a possible mass evacuation from Abadan, Iran, of employees of the Anglo-Iranian Oil Company. (S [ ]) COMMENT: Although the British do have available the forces mentioned in Aden, Malta and Suez, no information has yet been received on any changes in RAF order of battle in this area to confirm this report. Two earlier 25X1 [ ] mentioned the storage of reserve materials, including gasoline, ammunition and food, at Shaiba to implement the plan for the protection of British nationals at Abadan, which is only a few minutes flying time distant. Also reported was an alternative plan to use Kuwait as a base if the Iraqi Government protested the use of Shaiba. In view of the UK Government's declared intention of protecting its nationals, preparations of this sort are to be expected. Although neither Habbaniya nor Shaiba have been stations for regular RAF units recently, Habbaniya is used as a transient stop on routes to the Far East, and both fields are kept in readiness for emergency use.

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"C" ARGENTINA. Sharp Anti-US Press Attack Simultaneous with Diplomatic Approach. Another Descartes article in the administration paper, DEMOCRACIA, lists charges of US pressure on Argentina, including: 1) economic blockade, boycott, and sabotage, 2) an anti-Argentine campaign throughout South America financed by US Government funds, and 3) a US organization installed in Montevideo to interfere by radio and publicity in the coming Argentine elections. The article also lists a recent fabricated press release—without reference to its exposure even in DEMOCRACIA—concerning US anti-Argentine propaganda media and the proposed formation of a Latin American army which would occupy Argentina and other countries that did not bow to the will of the US. Descartes says that his analysis is intended to show the miserable errors of the West's political system, and these are pointed out "in the spirit of cooperation and friendliness" with the hope that they will be corrected soon. (R Buenos Aires 1095, 7 June 51) COMMENT:

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Descartes is actually Perón, according to authoritative sources, including the Foreign Minister. The article appeared on the same day set for a meeting between US Ambassador Bunker and Foreign Minister Paz that had been requested by the latter to discuss all points covering US-Argentine relations (see OCI Daily Digest, 4 June 51). This double treatment of the US by Perón is not new, but the contrast is sharper than during the past few months. By the anti-US press attacks, usually explained as solely for internal political consumption, Perón may be hoping to provoke attacks from the US in order to imitate his 1946 anti-Braden campaign, which Perón feels contributed substantially to his first electoral victory.

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OFFICE OF CURRENT INTELLIGENCE  
DAILY DIGEST OF SIGNIFICANT S/S CABLES

8 June 1951

SECTION 2 (EASTERN

- "C" IRAN. Oil Board Member Resigns. One member of the three-man board scheduled to leave for Abadan to supervise the oil industry, has refused to join his colleagues on their trip. The recalcitrant member, Senator Hassibi, Iran's only nuclear physicist, explained to the Press that the Board could not function properly since its power was divided equally between the three members, and that he had resigned because he felt that one man should have full power "to execute decisions at once". The other two members of the board have departed for Abadan without Hassibi. (U NY Times, 8 Jun 51). COMMENT: Whatever Hassabi's reasons for resigning, his action provides Prime Minister Mossadeq, who has been accused of procrastinating on oil nationalization, with a valid excuse for delay in implementing the nationalization law. This should enable Mossadeq, who has shown an increasing desire for moderation and conciliation in his conversations with US Ambassador Grady on this subject, to prevent the Iranians from taking any drastic and irrevocable step prior to the Government's discussions with the Oil Company.
- "B" CHINA. Peiping Reported to be in Unreceptive Mood for Peace Feelers. The Indian Foreign Office has informed US Ambassador Henderson of the opinions of Indian Ambassador Panikkar in Peiping regarding a possible "new peace offer" to Communist China. Panikkar reportedly takes the view that a peace move at this time would not be opportune, as the Chinese "insist that the military situation in Korea is satisfactory and is developing steadily in their favor." Panikkar is also said to believe that Peiping would insist that a Korean settlement include "agreeable" arrangements regarding Japan. (S, S/S New Delhi 3516, 5 Jun 51). COMMENT: It is not known whether Panikkar is basing his opinions upon interviews with Chinese Communist leaders or upon Peiping's propaganda. Peiping has not altered its stated demands for a Korean settlement—withdrawal of UN forces from Korea, US abandonment of "neutralizing" Taiwan, and admission of Communist China to the UN—and the regime is currently intensifying its program for support of Chinese forces in Korea. Peiping has not yet publicly suggested that Korean and Japanese problems are inseparable.

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